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Government

REGIONS

THE \$10 BILLION SWEEPSTAKES: HOW STATES WOO FOREIGN INVESTMENT

THE SEARCH FOR CAPITAL HAS TURNED GOVERNORS AND MAYORS INTO GLOBETROTTERS

In 1982, Minnesota elected Rudy Perpich governor on a platform promising to improve the state's economy by attracting foreign investment. So far, he's made good on his word: Fifteen foreign companies are in the process of setting up sales offices or manufacturing plants in the state. More than 100 others have made serious inquiries.

Perpich has drummed up offshore interest by establishing a Minnesota Trade Office that now has a 30-member staff. He is also building a World Trade Center in St. Paul, scheduled for completion in 1987. But the most successful lures have been the half-dozen seminars that Perpich has hosted in foreign, mainly Northern European, countries.

PERSONAL TOUCH. When pressing the flesh overseas, Perpich is almost as likely to bump into other U.S. governors and mayors promoting their locales as he is to meet foreign business executives. Politicians are competing fiercely for the 300,000 new jobs and \$10 billion in capital that overseas businesses pump into the U.S. economy every year. "The ones who get big pieces can help ensure their local economies stay healthy for years," says Daniel Malachuk Jr., a partner at Arthur Young & Co.

That explains why Ohio Governor Richard F. Celeste spends so much time on the road. Were it not for a savings and loan association crisis in his state, Celeste would now be on a scheduled tour of Asia, proclaiming the virtues of Ohio to would-be investors. In December, Celeste led a trade mission to South Korea. A year ago he attended an international trade conference in West Germany and returned with two German investments for his state: a Kosmos brewery for Youngstown and a Roxane Laboratories Inc. complex for Columbus. When the complex opens next year, it will bring the pharmaceutical company's U.S. headquarters, manufacturing, warehousing, and distribution facilities together under one roof.

Important as the personal touch is, it may mean little unless more fundamental concerns such as financing, a skilled work force, wage rates, location, and quality of life have already been addressed. Take New Orleans: Its mayor,



MAYOR GIBSON: PROXIMITY TO MANHATTAN HELPED LURE FOREIGN CAPITAL TO NEWARK

Ernest "Dutch" Morial, has been a roving ambassador for the city since winning office in 1978. He has traveled with local business executives to Europe, Africa, Central America, and Asia. Yet not one foreign company has set up shop in New Orleans as a direct result of Morial's efforts. He has no plans to go back on the road anytime soon. Attracting foreign investment, he sighs, "is not an easy task."

The task is getting tougher all the time. More than 40 states are now willing to issue industrial revenue bonds at attractively low rates. And foreign companies are seeking and receiving tax breaks and government-financed job training as a matter of course. For example, before Britain's BOC Group PLC opened a plant outside Charleston, S.C. in 1983, prospective employees were giv-

en six-week training courses at the state's expense in the BOC facility.

And last fall, Michigan won a battle to land a \$700 million Mazda Motor Corp. assembly plant that will employ 3,500 people. Michigan prevailed over several other states in part by offering a package that includes sending some future employees to Japan at state expense to learn about Mazda's production system. **THE HARD WAY.** In addition, state officials have been instructed to help foreign workers secure employment visas, or "green cards," open bank accounts, obtain driver's licenses, and enroll children in schools. Such practices are certain to become more routine. "If your opponents do something, you almost have to [do it] or default," says Gary Miller, head of Connecticut's International Div.

California learned that lesson the hard way last September, when Fujitsu Ltd. announced plans to shift two factories located there to Oregon. "Our major reason for selecting the Oregon location is its abolition of the unitary tax in July," says Yoshinac Hirose, general manager of Fujitsu's information administration group. Many states with unitary taxes assess levies on the basis of a company's worldwide profit, not just its earnings within their borders. Strong opposition from foreign companies is putting pressure on California and other states with such taxes to eliminate them.

Because so many municipalities are offering them, financial incentives are rapidly losing their importance in relation to other lures. Says Richard A. C. Kidney, properties director for Canada's Northern Telecom Inc.: "I've been approached [with attractive financing] by every state except Alaska."

Consequently, companies such as Northern, which has invested \$1.7 billion in the U.S., tend to be swayed more by an area's quality of life and the professionalism of its representatives. "The people who used to be sent out were hard-drinking, backslapping guys who didn't know anything," Kidney says. "Now they are very intelligent and will bring whatever data is necessary, public or private."

Quality of life even played a role in

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